

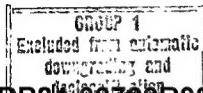
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1. This memorandum contains a recommendation for Executive Director-Comptroller approval; such recommendation is contained in paragraph 5.
 2. Attached is the reply of the Director of Logistics to the report of the Inspector General as a result of the recent survey of that Office. We were pleased to note in paragraph 6 of the Introduction of the report that the Inspector General feels "the Office of Logistics is well organized and well managed" as well as "the Agency components served by the Office to be virtually unanimous in their appreciation of its efforts."
 3. The report contains, from a substantive point of view, two areas of criticality, i.e., personnel management and procurement organization, and also raises certain management questions within the Supply Division. In replying to the report, we have chosen to offer, first, commentaries on these three areas, following which positions are taken in a sequential order on the 24 recommendations. We have chosen in the commentary to address ourselves first to the matter of procurement because that subject received the major interest of the Inspector General. It also contains certain observations on management of procurement personnel and, therefore, logically leads to the second commentary on personnel management. There lastly follows observations on the Inspector General's position on certain organizational matters within the Supply Division.
 4. We have given serious consideration to the positions taken by the Inspector General and the resultant recommendations, but we cannot in all cases agree either with the facts as stated or with certain of the recommendations. We believe we will obtain maximum benefit from this matter by your approval of the positions we have taken on all of the recommendations.



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SUBJECT: Inspector General Survey of the Office of Logistics,
August 1969

5. It is recommended that the Executive Director-Comptroller approve the stated positions of the Director of Logistics on those recommendations presented by the Inspector General.

R. L. Bannerman
Deputy Director
for Support

Att

The recommendation contained in paragraph 5 is approved.

L. K. White
Executive Director-Comptroller

Date

Distribution:

Orig - Adse (return to D/L via DD/S)
1 - ER
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RESPONSE OF DIRECTOR OF LOGISTICS
TO
INSPECTOR GENERAL'S SURVEY OF THE OFFICE OF LOGISTICS
AUGUST 1969

1. The principal substantive focus of the Inspector General (IG) report clearly centers on the function of procurement. This conclusion is enhanced by statistical evidence. The report consists of 134 pages, of which 59 are devoted to procurement, and it contains 24 recommendations, of which 14 bear on procurement. We will, of course, address ourselves to the IG recommendations, but believe some general commentary and analysis will be helpful to an understanding of our position on certain of the recommendations.

2. The interest and concern on procurement by the IG is, almost exclusively, centered on the current management structure that directs the program and does not appear to interest itself particularly in the operations of the program. Yet we believe it reasonable to maintain that, if the operations are successfully conducted, the management structure involved at least has met the pragmatic test. There are aspects of Agency procurement which, if not properly conducted, can lead to considerable embarrassment and highly adverse publicity affecting this Agency. Several examples are in order. Some 15 years ago this Agency

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Office of Logistics has played a significant and leading role both in developing and implementing Agency policy concerning contractual relations with academic institutions, and has kept Agency visibility in this area to the absolute minimum. We mention these matters because we believe it is of equal importance for someone to record the successful and secure conduct of procurement for intelligence as it is to note and discuss management concepts that guide a procurement program.

3. We would like to offer one other observation on both the current management structure and the workings of the current Agency decentralized procurement program before addressing ourselves directly to the IG recommendations. One historic criterion in this Agency, by which a support mechanism is judged, is its acceptance by senior Operating Officials of the Agency. In this connection, we should like to quote from a memorandum to the Executive Director-Comptroller of 10 June 1969, signed by Mr. Carl E. Duckett, Deputy Director for Science and Technology:

"2. In February 1968, working cooperatively with the Deputy Director for Support and the Director of Logistics, I established a contracting team in Headquarters Building to support S&T Offices: OEL, OSI, FMSAC, and OCS. That team proved so successful that in March of this year, again in cooperation with the DDS and D/Log, I extended the concept by establishing a second contracting team to support the contract requirements of the Office of Research and Development in the Ames Building.

"3. Our experience to date with the concept has been excellent, and I believe that the contracting team, fully integrated in the technical office, provides a contracting system which is unqualifiedly superior to others."

4. As mentioned previously, the focus of the Inspector General's considerations on procurement impact, with few exceptions, on the management structure that guides the program and to that focus we now address ourselves. There is a clear philosophical difference between that management structure the IG would have us have and that structure which, to date, appears to have successfully brought into existence and now guides our decentralized system. The essential elements of the management structure espoused by the Inspector General are found in four of the 14 recommendations and, in order of significance, they are numbers 24, 12, 11, and 16. If these four recommendations were approved and implemented, a management structure for procurement would be created which would see an "Agency Contract Policy Review Board" established in the Office of the Deputy Director for Support; the establishment of a position of "Assistant Deputy Director of Logistics for Contracting" with command prerogative overseeing the entire procurement system; contracting officers, regardless of where they were assigned, either being rated or reviewed on their fitness

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reports by Office of Logistics personnel; and all NRO contracting¹ becoming intermingled with Agency-appropriated fund contracting and coming under the supervision of this mechanism. In essence, a tightly controlled and authoritative management structure would be created. We do not believe the time has yet arrived to adopt this recommendation and, further, we possess some reservations on the basic premises involved. Additionally, we feel the recommendation that Agency contracting for NRO programs, i.e., Recommendation No. 11, be done under the authority of the Director of Logistics should receive specific comment and to that we first address ourselves.

5. The Inspector General, under the heading of "The Delegation of Contracting Authority" (pages 70 through 75 of the IG report), discusses the manner in which authority to contract, for NRO programs awarded to this Agency, is delegated to the senior Contracting Officers of the Offices of Special Activities and Special Projects. He questions the propriety of the Office of Special Projects having its authority by lateral delegation from the Office of Special Activities. His point is beyond the responsibility of the Director of Logistics and we take no position on it. He notes that the delegation of authority to the Contracting Officer of the Office of Special Activities includes authority for the obligation of Agency-funded activities under the Office of Special Activities management. We merely note here that, at the time of the original delegation of authority to the Office of Special Activities, the NRO did not exist and all funds obligated were appropriated to the Agency. We would also note that it has been historic practice for the Directorate of Science and Technology to develop with Agency-appropriated funds certain sensor systems which were included in vehicles funded by NRO. Because these sensor systems came under the "single manager concept," were subject to the same security ramifications as the development of the vehicles, the undertakings were, for all practical purposes, contractually inseparable. Such undertakings have been accepted historically as a proper exercise of contracting authority by the Offices of Special Activities and Special Projects. After these and other observations are made by the Inspector General, it is then concluded that "the procedures for delegating contracting authority in the Agency now can be regularized without adversely affecting the Agency-contracting relationships so successfully pioneered by the Office of Special Activities and its predecessor organizations." Recommendation No. 11 then gives the Inspector General's view as to how to effect this matter. We do not agree with the Inspector General's findings for a variety of reasons. Many of the factors of security and compartmentation that have guided Agency and Agency-NRO reconnaissance activities remain valid and viable. Secondly, the matter is not singly one of the execution of contracts but becomes deeply involved with different security standards, procedures and

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classifications. These security matters are different from and do not parallel Agency security standards. There are elements of interdepartmental liaison and coordination involved in NRO contracting which are unique to those undertakings. It is interesting to observe that only recently the Director has given a direct contractual delegation to a new compartmented undertaking in the Directorate of Science and Technology. The Director of Logistics was requested to furnish a senior contracting officer to do special work, but he is unaware of its purpose. Lastly, we find no evidence in the Inspector General's report that leads us to believe there are any significant differences in contracting policy being followed by the Contracting Officers in the Offices of Special Activities and Special Projects than in those policies followed by other Agency contracting officers. In the last analysis, governmental contracting is guided by the Armed Services Procurement Regulations and this, of itself, generally insures commonality of policy.

6. Viewed within the theoretical concepts of organizational management, we understand the rationale of the Inspector General's recommendations. We have difficulty, however, in matching the theoretical concept both to the practical views of the matter plus the accomplishments made to date. The IG report makes frequent reference to the "22-month" history of decentralization and, accordingly, leaves the inference that the totality of the system has existed for that period of time. The fact of the matter is that the system came into being incrementally over a period of 18 months, and only since March of 1969 has the total basic structure we were directed to accomplish come into being. If one then chooses to make a judgment on the totality, one is limited to a timespan of some eight months. The Inspector General, himself, notes in the Introduction of his report the complexities and sensitivities of the undertaking, and we thoroughly subscribe to his observations. Our actions have endorsed our feelings and the temptation has been resisted to force a more junior officer to assume responsibility to create and initially guide the new system. We believe, as the Inspector General observes, that on a matter of this significance authority should be exercised where responsibility resides. It is axiomatic that it is much more difficult and challenging to bring into being new organizational concepts and insure their successful operation during the initial period of development than it is at a later date to monitor and direct their continuing existence. What the Office of Logistics had done here is only symptomatic of what has happened throughout the history of the Agency when major organizational developments take place. We feel that to retreat from this posture of senior command interest and direction at this time would serve to prejudice and not enhance the remaining work needed to be done to further develop the concept and insure the necessary degree of coordination so that control of the dispersed procurement mechanism is neither lost nor diminished to the prejudice of the Agency. It is our proposal, accordingly, to maintain and retain the current structure controlling, guiding, and further developing the decentralized procurement system for an additional year. We would then, toward the end of calendar year 1970, undertake a further review of accomplishments made to that date and assess our capability both from the point of available, qualified personnel, plus ceiling positions, to create the command structure that the IG now recommends.

7. Our earlier expressed reservations on the concept espoused by the IG for managing the decentralized procurement system are based on the following observations.

The adoption of this concept could, in effect, tend to bring about an even more centralized management structure than that which existed prior to 1 September 1967 and which we were directed to change. We are also unsure that the managerial principles or style of this Agency encourages, or indeed perhaps tolerates, the type of centralized control of personnel innate in the IG concept nor are we convinced that this concept is compatible with the Agency manner of conducting its affairs.

8. Throughout the text supporting the four significant IG recommendations, i.e., 24, 12, 11, and 16, are found various statements with which we must take some exception. It would probably be neither constructive nor productive to list all observations concerning which we have disagreement or reservations, and we have, accordingly, selected only those which appear to us to have unique significance. We note, for example, in paragraph 19 of the procurement section, a comment concerning the lack of staff assistance to the Deputy Director of Logistics to accomplish his role as the overseer of the new procurement system. For the past two years, we have continually requested, and have continually been denied, increased personnel ceiling for the new two positions created in September 1967 to conduct the work of the Contract Review Board, i.e., the Chairman and his Secretary. It would make little sense to go forward with a request for other new staff support with a predictable denial being forthcoming. This fact, then, logically leads to our disagreement with the IG position that the Chairman of the Contract Review Board should perform no staff work for the Director of Logistics and concern himself solely and exclusively with Contract Review Board matters. The IG report also infers there is an inferential "conflict of interest" in one individual being both Chairman of the Board and also a staff assistant to the Director of Logistics on procurement matters. We find no more "conflict of interest" here than we find in the Deputy Director for Science and Technology also being the Director's senior research and development coordinator throughout the entire Agency.

9. We note the Inspector General recommends that both the rating and/or reviewing of the fitness reports on contracting officers assigned to the decentralized teams (and here we assume that also includes the Offices of Special Activities and Special Projects) be executed by command officers assigned to the Office of Logistics. A management principle bearing on this specific matter was espoused by the then Deputy Director for Support (now Executive Director-Comptroller) in 1952 and accepted by Agency command and has remained inviolate for 17 years. That principle is that officers of the Support Services assigned to Operating Components come under the command jurisdiction of that Component, to include the Component's right and responsibility to both rate and review Support personnel. If this principle were ever tested and still found valid, it was done so at that time when Office of Finance personnel, with delegations of authority to act as certifying officers, were assigned to Operating Components and came under the rating and reviewing authority of those Components. Command responsibility cannot be divided and there is no fact sufficiently unique to the responsibilities of a contracting officer that justifies deviation from one of the soundest management principles ever adopted by CIA. The exercise of a delegation of authority by these officers is periodically reviewed by representatives of the Director of Logistics and this fact establishes the needed system of "checks and balances." In connection with this

later observation, we also note that paragraph 65 says, in effect, that the three principal sources of information available to a "senior contracting officer" (presumably the Director of Logistics) to manage a system are the Contract Review Board, Procurement Officers' Meetings, and the two existing automated contract information systems. We suggest that one of the principal sources of information, surveys of the procurement teams conducted by the Special Assistant to the Director of Logistics, is one of the prime sources of information and yet it is not noted. The monthly statistical reports, organized in various formats to include work done by teams, by type of contracting, by organizational units, and by purpose of contract, is a continuing workload and managerial input. We would further observe that the personal and continuing involvement of senior officers responsible for overseeing and operating the system represents a continuing source of information and control which, in the last analysis, is probably more efficacious than any formal system that could be devised.

10. Serious words are spoken in the IG report concerning the career responsibility for contracting officers held by the command structure of the Office of Logistics and the language inferentially creates an impression that this responsibility is perhaps not being well met in this day of a decentralized procurement system. The particular language to which we make reference appears on pages 96 and 97 and reads as follows:

". . . With the creation of the independent contracting teams, their physical isolation, and the reduction in size, scope and responsibility of the Procurement Division, some of the aspects of a viable career service have disappeared.

"39. We feel it is important to the future of the decentralized contracting process in this Agency and to the officers that participate in it that the features of a Procurement Officers' career service be preserved. One senior officer should be responsible for the selection of qualified candidates, their training, their assignment, and their evaluation as procurement officers. We feel that this activity cannot be effectively performed for long personally by the Director or Deputy Director of Logistics."

We believe the facts from the period 1 September 1967 to 26 September 1969 bearing on the discharge of responsibility to career officers very adequately speak to this point. There are today 73 officers performing a procurement or purchase function under the career cognizance of the Director of Logistics. These individuals are found in seven different organizational entities. In the last two years, 27 of these officers have received a grade promotion; 14 of these officers have received a Quality Step Increase; and the Office of Logistics has either sponsored or concurred in 78 external training opportunities. Additionally, we have sponsored or concurred in 63 internal training opportunities. We have introduced 15 new people into the procurement function and have rotated 33 officers. The rotation has included overseas assignments, transfers from Procurement Division to Operating Components, transfers from one Operating Component to another, and transfers

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within the Office of Logistics itself, i.e., Procurement Division Headquarters, [redacted]

11. Having opened the subject of career management, this is perhaps the appropriate place to comment generally on the Inspector General's remarks as they pertain to the Personnel and Training Staff. We will respond later in this paper to the specific recommendations. The Inspector General's report states "...the Office of Logistics does not have a career service board that functions as such. The Office used a career service board system until late 1964. It was ignored thereafter as unproductive both by the previous and by the present Director of Logistics." One gets the impression from these statements that decisions affecting the careers of Logistics personnel are made by the Director of Logistics without due consideration of the opinions of his division chiefs. This is a misconception which hopefully the following remarks will clarify. On 15 October 1964, the Logistics Career Board was made an advisory body in developing career service policy and ceased to function as a voting group on competitive promotions or personnel assignments. Each division chief is regularly asked to make recommendations for competitive promotions or personnel reassessments. This is really no different than the way the Board operated in the past because the Board made recommendations to the Head of the Career Service, and he approved or disapproved those recommendations. The only significant difference is that members do not meet in a body to decide issues on the basis of majority rule.

12. On the subject of personnel policies, the Inspector General's report indicated that practically every employee expressed a total lack of knowledge on the subject of career management and career development. For example, one female employee was specific in her complaint that while she could not get a promotion no one would tell her why. It is difficult to answer this kind of complaint without knowing the particular circumstances the employee is confronted with. In general, we discuss with every overseas returnee his career potential and, of course, we discuss with numerous individuals his career development whether for training purposes or for overseas assignments. A followup interview is held with each individual assigned to the Office of Logistics; the first is held with professional employees 30 days after entrance on duty and again after six months on duty. Clerical individuals are interviewed between six to eight months after entrance on duty.

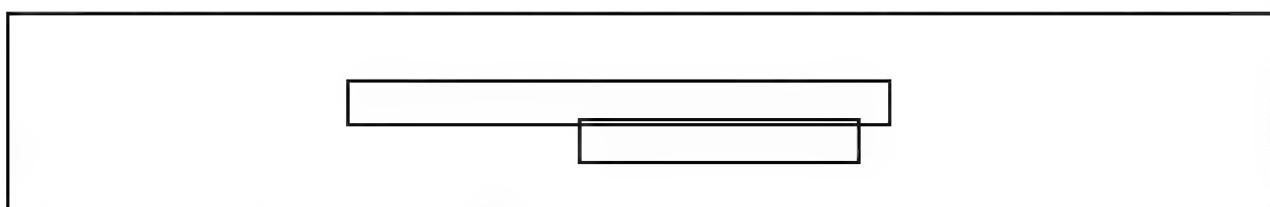
13. The Inspector General focused on problems caused by rotational assignments. Most problems apparently centered on a lack of information about the next assignment or a lack of a next assignment (indefinite tour), leave record problems, timely information on training requests, and the general feeling that Logistics Careerists assigned to area divisions were forgotten and their careers suffered as a consequence. Specific IG statements and our comments are as follows:

a. Inspector General Statement: "Logistics personnel in the Far East, almost without exception, complained they could not get timely information on their next assignment when rotation was imminent."

Comment: It is true that personnel departing the Far East area in the summer of 1969 were not advised until early May about their next assignment. We know of only one individual who made a specific request before 1 May to obtain his assignment and this information was furnished separately on 28 April 1969. It is realized that this information is of great interest and importance to the employees, but, with many ramifications in personnel processing (medical, security, BALPA, OPRED, etc.), it is not always possible to give timely notice. We plan to advise the 50 or so employees departing overseas stations next summer of their new assignments by January 1970.

b. Inspector General Statement: "Several employees could not get their leave records straightened out upon return to headquarters. One case was nearly a year old. (This is more the fault of the area division and the Office of Finance, but indicates that Logistics didn't follow through)."

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c. Inspector General Statement: "Several overseas employees had asked for special arrangements on training, which required headquarters approval, and they could not get a timely answer."

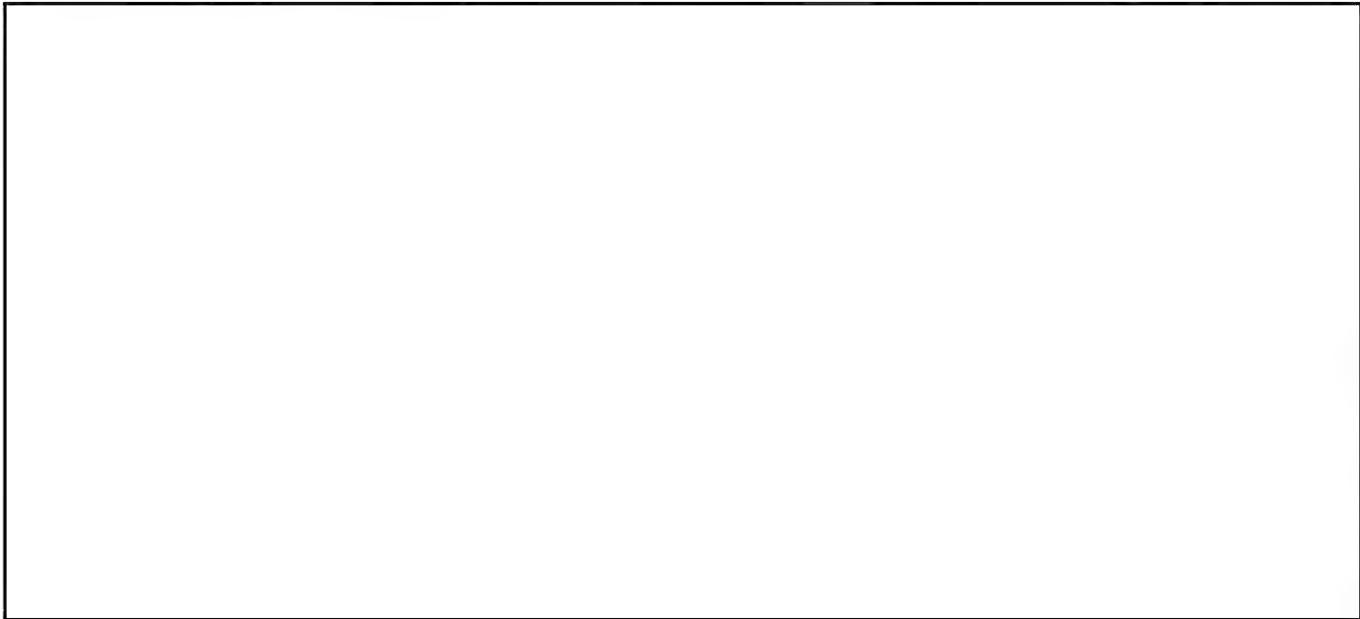
Comment: There were two individuals who asked for approval for educational leave after completion of their tour in the summer of 1969. One individual made the request in mid-November 1968, and the dispatch was inadvertently destroyed. In May 1969 the individual was notified of the approval but in late May 1969 he reported that he did not gain admittance in the university of his choice and would report for duty. The other request was not received until 16 May 1969, which was after the Inspector General's tour overseas.

d. Inspector General Statement: "Most Logistics careerists assigned to area divisions expressed the view that once so assigned they were forgotten and that their careers suffered as a consequence."

Comment: No individual assigned to an area division has made this statement to any member of my Staff. We cannot agree "...that their careers suffered as a consequence" since only 15 of the 52 promotions in FY 1970 went to careerists in Office of Logistics positions. The remaining 37 went to careerists in positions outside the Office of Logistics. Of these 37 promotions, 16 went to Logistics Careerists in the Clandestine Service. Of the 41 individuals now assigned to the Clandestine Service, 60 percent have been there less than three years; 29 percent have been there

from three to eight years; 10 percent have been assigned there over eight years. Most of those who have been there the longest period of time have expressed a preference to remain in their assignment.

X1 e. Inspector General Statement: "The concept of indefinite tours was brought up by several [redacted] employees. One employee had asked for mid-career training. He was told, however, that only employees on headquarters assignments could be considered for the Mid-Career Course. He then asked when he would be rotated to headquarters and was told that his tour [redacted] was indefinite. 25X1 While this situation eventually was rectified and the employee was to receive his transfer and his appointment, this type of paradox is not conducive to good morale. As a matter of fact, it must be difficult for any employee to make intelligent plans for [redacted] education of children, or career development when assigned on the basis of an indefinite tour." 25X1



X1 14. The remaining statements by the Inspector General on the Personnel and Training Staff have to do with overall ceiling, replacements, availability of the Staff for individual problems, honor and merit awards, and problems presented by retirements at the [redacted] 25X1



X1 a. Inspector General Statement: "The Office has an approved ceiling of [redacted] staff . . . as of 1 July, there were [redacted] employees on duty." 25X1

X1 Comment: Statistics on the present ceiling and on-duty strength are more significant when contrasted to the situation six years ago (31 October 1963) when the Office ceiling was [redacted] and there were [redacted] employees on duty. 25X1

b. Inspector General Statement: "The Chief of the Motor Pool Branch knows he is losing six or seven employees, but has no information on replacements."

Comment: At the time of the Inspector General Survey and on 1 November 1969 the Motor Pool personnel situation was as follows:

	<u>Authorized</u>	<u>On Duty</u>	<u>In Process</u>
Time of IG Survey			
1 November 1969			

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Three chauffeurs retired as of 31 October 1969. The next known vacancy is in March 1970 and the next one after that is in April 1970. Therefore, the Motor Pool is two understrength as of November 1969 and will remain so until additional chauffeurs are recruited and put in process. The Office of Personnel is aware of our requirement.

c. Inspector General Statement: "Several supervisors in various elements of Logistics made the comment that anytime they or an employee had a personnel problem they were always told to report to the Personnel Staff in the Ames Building and that personnel people never came to see them."

Comment: Members of the Personnel and Training Staff have visited the

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[redacted] Printing Services Division and Headquarters Building on numerous occasions. Instructions to members of that Staff are to be available to any of the Operating Components at any time.

d. Inspector General Statement: "Available records reveal that only 27 honor or merit awards have been granted to Logistics employees since 1956. Of the 27, 12 were given to employees who were retiring or who were military de-tailees returning to their parent organization. In other words, approximately 15 awards have been given in 13 years by an Office that controls approximately [redacted] Logistics careerists."

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Comment: The Office of Logistics has energetically sought to find ways to award individuals in addition to the Honor and Merit Awards Program.

For example, in FY 1968, 32 Logistics Careerists were awarded Quality Step Increases and in FY 1969, 55 were granted Quality Step Increases. Further, the Incentive Awards Program at [redacted] resulted in four individuals being honored in FY 1968 and 14 in FY 1969. Also, there is an awards program for the Mail and Courier Branch, Logistics Services Division. In FY 1968, three individuals were awarded \$25 each and in FY 1969 two individuals were awarded \$25 each and one individual received \$100. Also, we have a Safe Driver's Award for chauffeurs and other drivers in the

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Motor Pool Branch. In FY 1968, 72 individuals received lapel buttons and safe driver's cards for the year and 14 other individuals received additional special awards. In FY 1969, 70 individuals were given lapel buttons and safe driver's cards for the year and seven drivers were given other special awards. In addition, during FY 1969 Logistics employees received \$11,175 under the Agency Suggestion Awards Program.

e. Inspector General Statement: "The team found a number of cases of misslotting and double slotting. While number was not unusually large, several of these cases had been misslotted for up to two years."

Comment: The principal reason for the misslotting was because a request had been made to establish a new position in the Procurement Division for use in an automatic data processing function. Although this position was classified by the Office of Personnel, this Office had not received a ceiling increase to cover the position; consequently, it had not been established on the books. However, the function has been performed and numerous physical reassessments were made of individuals to bring this about. During the course of the Inspector General's Survey, when this was informally brought to our attention, the misslotting was corrected.

f. Inspector General Statement: (Pertaining to [redacted]) "Turn-over of personnel is not high but retirement is posing a problem as talent is not available for training and succession." 25X1

Comment: For the next three years, that is through 1972, ten individuals are scheduled for retirement [redacted] four GS-05 to GS-14 and six Wage Board employees. If they all retired this month, nine of the ten could be replaced with current personnel on board. The one that could not be replaced from current assets is a secretary-stenographer, GS-05. Therefore, retirements do not pose a problem. 25X1

15. Turning now to the Supply Division, we feel it is appropriate to answer some of the general comments before addressing ourselves to the specific recommendations.

a. Inspector General Statement: "Of considerable interest to the survey team was the method used by this Unit [redacted] to acquire materiel and account for funds. It differs from the system employed by the [redacted] of the Procurement Division. It is our understanding that items procured by the [redacted] are not processed through the financial property accounting system. This obviously is a faster and simpler way to handle a procurement action and to process the paperwork. If this method is acceptable for the [redacted] we wondered why it could not be adopted for general procurement." 25X1
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Comment: The two situations are not comparable. The fact that [redacted] actions are not processed through the financial property accounting 25X1

system has no bearing on the method and speed of action taken. The categories of materiel specified for requisition through [redacted] channels can be likened 25X1 to those which the overseas stations would procure locally if available. They consist of items generally available on the commercial market, not carried in the Logistics System, not requiring review by technical components, required in small quantities, and of relatively low dollar value. The request is forwarded directly to the [redacted] 25X1 [redacted] from the overseas station. The [redacted] procurement 25X1 agents, on an individual basis, arrange for, pick up, package, and ship those requirements (except when [redacted] methods cannot be used). Additional comments on this matter are also contained in comments referring to Recommendation Nos. 8 and 15.

b. Inspector General Statement: "The staff employee occupying the stock control position did not seem fully occupied and is doing work previously done by a [redacted]" 25X1

Comment: The "staff employee" concerned was a marginal employee and has since resigned.

[redacted]

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[redacted]

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d. Inspector General Statement: "We question the location of [redacted] 25X1 [redacted] under the Stock Management Branch. The Section receives more than 90 percent of its work direction from the Central Control and Distribution Branch, discussed below, and from a standpoint of workload, perhaps it would make sense to place it under that branch."

Comment: The [redacted] is not a stock management function; it is a supply management function in a broad sense. It serves the other elements of its Branch in its procurement of materiel for stock and providing information on availability of excess materiel, etc. That the [redacted]

"receives 90 percent of its work direction from the Central Control and Distribution Branch" can be misleading. Central Control and Distribution Branch has no directive authority over other units; it is a clearing house with respect to the point at issue.

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16. Our specific positions on the Inspector General's report recommendations now follow. Four recommendations, i.e., 11, 12, 16, and 24, have been addressed previously in this reply and represent our positions on the totality of those recommendations.

a. Recommendation No. 1

"That the Director of Logistics

"a. Broaden the base of participation by division chiefs in the decision-making process on personnel assignments, reassessments, and promotions."

Position: Each division chief today, as in the past, makes his recommendation to the Director of Logistics about personnel assignments, reassessments, training and promotion for the people under his jurisdiction. The division chiefs are not brought together in a body to debate or vote on specific individual personnel actions covering employees not under their specific jurisdiction.

"b. Establish and enforce a program which will ensure that branch and section chiefs participate with their division chiefs in the processes of personnel management and career planning for employees under their jurisdictions, perhaps to include at least annual employee counseling."

Position: Annual employee counseling is now being performed when the fitness report is prepared and more often if appropriate. Each division chief now discusses proposed assignments with his appropriate branch chief before an employee is reassigned. Branch chiefs initiate recommendations for promotions and Quality Step Increases. Each division chief will be encouraged to bring about a greater degree of participation by their section and branch chiefs in personnel management and career planning. Consideration is also being given to organizing panels of the Logistics Career Service Board to give advice and recommendations on reassignment of personnel between and among Headquarters [redacted] and overseas field assignments.

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b. Recommendation No. 2

"That the Director of Logistics negotiate with the Director of Security an agreement that all industrial security officers serving with the Office of Logistics be assigned to the Office of Logistics Security Staff for training and for subsequent reassignment to the independent contracting teams and staff components."

Position: We agree with the intent of this recommendation but its implementation depends on the availability of security officers who can be assigned to the Office of Logistics for the sole purpose of training. In the event security officers cannot be made available for such use, we will propose that industrial security officers serve a tour of duty, possibly of shorter duration than normal, in the Office of Logistics, Security Staff, before being eligible for assignment to the independent contracting teams and staff components.

c. Recommendation No. 3

"That the Director of Logistics, in consultation with the Director of Security and, as necessary, with appropriate Deputy Directors, establish the policy that the Chief, Security Staff, Office of Logistics, shall be the reviewing official on fitness reports of Office of Security personnel assigned to the independent contracting teams."

Position: We disagree with this recommendation. As outlined in the foregoing general commentary, it is a basic management principle that officers of the Support Services assigned to Operating Components come under the command jurisdiction of that Component to include the Component's right and responsibility to both rate and review Support personnel. We will, however, propose to the appropriate authorities that the Chief, Security Staff, be allowed to examine and comment on Fitness Reports of Office of Security personnel assigned to independent contracting teams.

d. Recommendation No. 4

"That the Director of Logistics explore with the Deputy Director for Science and Technology the feasibility and the desirability of subordinating to the [redacted] (under the general supervision of the Logistics Security Staff) the two industrial security officers [redacted] who now report 25X1 to the DDS&T Security Management Staff."

Position: This recommendation has focused on a problem area which we feel should be further explored. Discussions on this subject between the Chief, Security Staff, Office of Logistics, and the Security Management Staff, Directorate of Science and Technology, have already occurred. If investigations reveal that it is feasible and desirable to subordinate the two industrial security officers on the [redacted] then we will make such a recommendation to the Deputy Director for Science and Technology.

e. Recommendation No. 5

"That the Deputy Director for Support consider transferring responsibility for the Agency Safety Program, along with slots, from the Office of Security to the Office of Logistics."

Position: The Directors of Security and Logistics disagree with this recommendation for the following reasons. Even though the Office of Logistics has a number of activities that pose a variety of security hazards (materiel handling equipment, ordinance handling and storage, etc.), the Office of Security is in a better position to conduct effective independent inspections to ensure safety policies and procedures are being effectively carried out. There would, therefore, not be a danger of sacrificing safety for performance. Safety and security matters are closely aligned in the protection of physical facilities, both domestic and overseas. This can be illustrated by recent trends in our society (rioting, firebombings, etc.) which closely ally safety with security in the protection of Agency buildings, people, and other assets.

f. Recommendation No. 6

"That the Director of Logistics take action to redesign and renovate the office space at [redacted]"

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Position: Agree. At such time as funds are available, we will take action to improve the office space at [redacted]

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g. Recommendation No. 7

[redacted]

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[redacted]

[redacted]

[redacted]

[redacted]

h. Recommendation No. 8

"That the Director of Logistics initiate with the Director of Finance a study to examine the present procedures used in the financial property accounting system to achieve still further simplification of those procedures and liberalize property and financial property account requirements in the Type II and Type III accounts."

Position: We agree in principle. However, we wish to point out that, upon implementation of the modern electronic data processing system now under development, the concept of Types I, II, and III accounting systems as now employed would vanish. Inasmuch as we anticipate the automatic data processing system being operational in a FY 1971 time frame, the extensive work involved to implement this recommendation and the short period of gain before the advent of the automatic system would appear to be counterproductive.

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i. Recommendation No. 9

"That the Director of Logistics revise present practice so as to provide that administration of procurement actions assigned to Procurement Division is conducted by the unit and officer undertaking the procurement action."

Position: The administration (followup) of Procurement Division actions directly to the vendor by the Central Control and Distribution Branch is limited to those actions initiated by the General Procurement Branch ([redacted] or Contract Branch procurement). Prior to the establishment of the Central Control and Distribution Branch, the followup of these same actions in the Procurement Division was by an element not a part of the General Procurement Branch. The existence of the Central Control and Distribution Branch is a direct assistance to requisitioners, inasmuch as it represents a single control point which a requisitioner can contact to trace action on the majority of his requisitions. We would be doing the customer a disservice by decentralizing this followup facility.

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j. Recommendation No. 10

"That the Director of Logistics and Chief, Supply Division, consider the consolidation of the Central Control and Distribution Branch and [redacted] [redacted] or take steps to reduce duplication and to revise the procedures employed by the units."

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Position: We have given considerable thought to both the consolidation of these two units as well as to reducing the minor duplication of documents now created by both units. Current limitations of space prevent the consolidation of the units. Our studies indicate to us that the alternative solution to the problem again will be found in the electronic data processing system now under development. Inasmuch as the procedures of both units are well established, our judgment is that it is wise to allow them to continue to operate under those procedures with realization that in the FY 1971 time frame the minor duplication that does exist will be eliminated by the new automated procedures.

k. Recommendation No. 13

"That the Director of Logistics extend an invitation to the contracting officers of the Offices of Special Activities and of Special Projects to attend and participate in the Procurement Officers' Monthly Meetings."

Position: We agree with the spirit of the recommendation and have extended an open invitation to the Heads of the Offices of Special Activities and Special Projects contracting units to attend the monthly Procurement Officers' Meetings.

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1. Recommendation No. 14

"That the Deputy Director for Support

"a. Create a Directorate for Support contracting team consisting of personnel drawn from the [redacted] and the research and development contracting activities of the Procurement Division and augmented by appropriate security and audit advisors."

Position: See below

"b. Consider attaching the Directorate for Support contracting team to the Office of Communications."

Position: See below

m. Recommendation No. 15

"That the Director of Logistics

"a. Abolish the Procurement Division of the Office of Logistics."

Position: See below

"b. Establish in its stead a Purchasing Division composed of the General Procurement Section, the Registry and Document Control Branch, the [redacted] 25X1 [redacted] of Supply Division."

Positions: There is merit to these ideas insofar as uniformity and consistency of organizational format is concerned. We are persuaded, however, that a greater and more substantive interest is served by maintaining the current structure and responsibilities of the Procurement Division. As an Operating Component that reflects all facets of purchasing and procurement, it continues to afford us an excellent professional entry point to expose newly hired procurement personnel to the totality of the Agency procurement spectrum. Its formal type of organization allows a young officer to spend a period of time in the three identifiable functions of procurement, i.e., negotiation, administration, and settlement. By having these unilateral exposures the officer is then much better equipped, when rotated to a decentralized team, to act in the "womb to tomb" mode where he is responsible for all three functions. While there is only a minor amount of research and development contracting done within this Division, and the vast majority of it is development and not research, again an opportunity is afforded for on-the-job training to better equip an individual for eventual assignment to the decentralized teams. It is the current Procurement Division that serves the research and development needs of the Office

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of Communications, the body of principal interest in the Support Services. The Director of Communications has expressed his satisfaction with the current arrangement.

n. Recommendation No. 17

"That the Director of Logistics assign to the Assistant Deputy Director of Logistics for Contracting responsibility for the analysis of outstanding contracts in settlement with a view toward identifying instances of undue delay and finding ways to hasten settlement."

Position: The Office of Logistics is well aware of the Executive Director-Comptroller's, and other senior management officers, interest in expediting the rate of settlement of contracts. We will continue to diligently pursue this goal.

o. Recommendation No. 18

"That the Director of Logistics

"a. As a service of common concern to the [redacted] Office and the decentralized contracting teams, assume responsibility for the centralized dispatch and receipt of all internal Agency correspondence between headquarters [redacted]"

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p. Recommendation No. 19

"That the Deputy Director for Support explore with the Deputy Director for Science and Technology the feasibility of merging the CONIF and ACORN data bases into a single, Agency-wide contract information system."

Position: The Office of Logistics takes no position on the merits of Recommendation No. 19, which would see merged the current ACORN (DD/S&T) and CONIF

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(OL) contract information systems. This matter was thoroughly investigated by Support Information Processing System (SIPS) personnel some six months ago and, acting in its chartered and authoritative role, the SIPS Task Force determined to continue in existence both systems.

We do offer several comments, however, on the IG's report. We agree with the Inspector General that each system has its unique and valuable characteristics. Paragraph 67 identifies the ACORN uniqueness and paragraph 69 states ". . . in contrast to the ACORN system, the CONIF data base does contain substantial information on the state of contract settlement." While we are the first to admit, incidentally, that the CONIF system is susceptible to much more refinement and development, we are not prepared to grant the statement, also in paragraph 69, that ". . . Programs for access to the data base are grossly inadequate." In this connection, paragraph 70 of the report states as follows:

"Our inquiries revealed that the Office of Computer Services could provide programs within two or three weeks which would markedly improve access and, consequently, the utility and value of the system. We passed this information to the Office of Logistics and were advised that the decision had been made to deter upgrading the existing CONIF in view of the improvements anticipated from the Support Information Processing System (SIPS)."

We offer two observations on the above-quoted language. Upon further study, we have decided to proceed with upgrading, including both content and programming, the existing CONIF system. There does seem to be some confusion, however, on the matter of the Office of Computer Services (OCS) having a capability to markedly improve access within two or three weeks. According to the OCS representative, to whom the inspector put the question, his answer was not correctly understood. The OCS representative stated that an "on-line" capability could be furnished within three weeks. This has nothing to do with reprogramming, per se, but merely means the installation of a remote control console in the Ames Center Building and then reformating the file. Reformating includes transposing information now on magnetic tape to computer memory discs. The basic program remains the same. To reprogram is a very basic undertaking, and we have asked OCS to undertake it. Not only can it not be done in "two or three weeks," but several months have already transpired while OCS is studying how to do it and what new program to use. This whole area is a rather complex one, and we feel we should take our guidance from the SIPS Task Force, which is technically trained and competent in this field. Therefore, we take no position on the recommendation.

q. Recommendation No. 20

"That the Deputy Director for Support direct

"a. That the Contract Review Board concentrate its efforts on the monitoring of the overall effectiveness of Agency-wide procurement policies, procedures, and practices."

Position: We agree that the Board should continue to interest itself more in substantive policy matters and less in a contract-by-contract review mode. We went to great lengths to explain to the IG representatives that this indeed was our plan, and they indeed reflect that knowledge in paragraph 79. It must be remembered that Board members were not picked for their extensive knowledge and background in the field of procurement but because of the general overall seniority and expertise. The Board itself, initially, as the IG report reflects, had considerable reservation about its capability to become deeply involved in a role of policy review and formulation. With the passage of time, however, the Board has developed much more interest in the examination and development of policy. One cannot hasten the accumulation of experience and, as the Board continues to play its role, it simultaneously contributes to its own background to become more intimately involved in policy matters. We feel that this evolutionary approach, in the long run, will insure the Board's playing a more substantive role in continually having greater impact on matters pertaining to procurement policy.

"b. That the results of these efforts be reflected in an annual report to the Director of Central Intelligence, with recommendations for the resolution of problems and the correction of deficiencies."

Position: We are in agreement that the Contract Review Board should prepare an annual report. The Board, however, is an advisory board to the Director of Logistics, and the Deputy Director for Support holds the Director of Logistics responsible for keeping him aware concerning the efficacy of the Agency contract program. Accordingly, we believe the annual report of the Contract Review Board should be made to the Director of Logistics, who will then take action to keep senior management officers informed.

"c. That the annual report address all facets of the Agency's organization, philosophy, and methods of contracting, to include availability and capabilities of personnel, management techniques and tools, and strengths and deficiencies by category and by case."

Position: While we note that subparagraph c. of Recommendation No. 20 delineates the content of the report, we believe it most appropriate to request the Contract Review Board to devise its own format and select its own content.

r. Recommendation No. 21

"That the Deputy Director for Support establish with the Chairman, Contract Review Board, an understanding that the Board's authorities extend to

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include review of external analytical and production contracts and so inform all Agency components engaged in these categories of contracting activities."

Position: The Director of Logistics is at liberty to refer external analytical and production contracts to the Board for their recommendation. As a matter of policy, we will, henceforth, regularly submit to the Contract Review Board external analytical contracts. The Board, however, has shown little interest in reviewing production contracts, and we support their collective position that their major interest is in reviewing research and developmental undertakings. The Director of Logistics will, as a matter of practice, refer a production contract to the Board when its uniqueness or its complexity might be worthy of the Board's deliberations. The usual production contract allows much less latitude in format than does a research and development contract, and it is not envisioned that many referrals to the Board will be in order.

s. Recommendation No. 22

"That the Deputy Director for Support seek revision of [redacted] or its successor issuance, to provide for automatic consideration by the Contract Review Board of contracts valued in excess of \$250 thousand." 25X1

Position: The \$150,000 limitation was originally selected because it coincides with the maximum monetary approval authority for research and development undertakings that can be exercised by a deputy director. Its selection was arbitrary and at such time as the monetary level of research and development approvals to the Deputy Director for Support changes, we will adjust so that Board actions continue to reflect that level of approval.

t. Recommendation No. 23

"That the Deputy Director for Support seek authorization, either by consultation with the other Deputy Directors or, if necessary, by referral to the Director of Central Intelligence, for the Contract Review Board to have access to any and all information (except as specifically exempted by competent authority), or to the advice of any Agency personnel, that may be required for its determination of the desirability and validity of contracts referred to the Board for consideration."

Position: The principles of "need to know" have not been an inhibiting factor to the conduct of the Contract Review Board business. The Inspector General's observations are based on only one case, i.e., [redacted] which is a most sensitive one differing only in degree but not in principle with those developments and operations conducted under a [redacted] classification. Its magnitude is such it represents the largest dollar volume contract currently financed by Agency-appropriated funds, and its sensitivity is such that a specific briefing on it was

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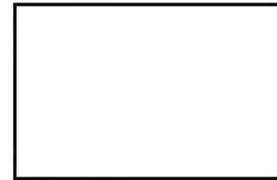
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given by the Deputy Director for Science and Technology to Senator Richard B. Russell (D-Ga) on 26 September 1969. We do not believe the Board needs any additional authorization to seek information, and the Board, further, has access to appropriate technical as well as contracting officers to respond to any questions which are germane to an understanding of the proposed contractual relationship.

u. Recommendation No. 24

"That the Deputy Director for Support make the Agency Contract Review Board advisory to him rather than to the Director of Logistics; and that he change the name to the Agency Contracting Policy Review Board."

Position: The Deputy Director for Support holds the Director of Logistics responsible for the conduct of the Agency's procurement program. It is, therefore, appropriate that the Contract Review Board maintain its current relationship to the Director of Logistics.



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